

PERAC AUDIT REPORT



Fairhaven Contributory Retirement System

JAN. 1, 2001 - DEC. 31, 2003 / PERAC 03: 11-034-22



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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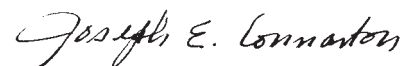
July 29, 2005

The Public Employee Retirement Administration Commission has completed an examination of the **Fairhaven** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2001** to December 31, **2003**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Mary Dundas and Martin Feeney who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Fairhaven Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

1. Board Attendance:

- a. A review of meeting attendance by Board members revealed two members with significant absenteeism during the years reviewed. One member's absenteeism rate ranged from 67% to 100% between 2001 and 2003. This member's poor attendance was noted in the last two audits. The second member's absentee rates ranged from 31% to 67% between 2001 and 2004. As a result, of the fifty meetings held between January 2001 and January 2005, the full Board (of either four or five members) was present at only nine of those meetings, or 18% of the time.
- b. The Town's appointment to the Board resigned effective January 1, 2004 and was not replaced until January of 2005.

Recommendation:

- a. Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board's responsibility to advise members who fail to attend a reasonable number (> 75%) of meetings and to take appropriate action with such members, when necessary. Accordingly, the first member mentioned above was replaced in July of 2003. The other member was recently re-elected; his term expires in January of 2008.
- b. The Board of Selectmen should act expeditiously in filling a vacancy on the Retirement Board. As in the case of an open seat for a fifth member, thirty days would be a reasonable time period in which to fill a vacancy.

Board Response:

- a. The Board has offered to change the day of the meetings in order for all members to attend, however, they have agreed to fulfill their obligation as Board members and to attend all meetings.
- b. The Board of Selectmen were informed that they should act expeditiously in filling a vacancy on the Board. They had recently appointed Jeffrey Osuch to be the appointed member.

2. Minutes:

- a. The Board does not comply with formal rules regarding executive sessions.
- b. Board members are not presented with a trial balance of the general ledger or a cash reconciliation to review each month.

Recommendation:

- a. The Board must comply with the Open Meeting Laws of the Commonwealth, as described in G.L. c. 39, § 23B. The Board is required to record the minutes of executive sessions in accordance with 840 CMR 6.12 and 10.12(3)(e), and G.L. c. 32, § 20(5).

Fairhaven Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

- b. As a conventional practice, the minutes should note that the Board is presented with a monthly trial balance and cash reconciliation for review.

Board Response:

- a. The Board will comply with Open Meeting Laws of the Commonwealth as described in G.L. c. 39, s. 23B. The Board will record the minutes of executive sessions in accordance with 840 CMR 6.12 and 10.12(3)(e), and G.L. c. 32, s. 20 (5a).
- b. The Board will be presented with a monthly trial balance & cash reconciliation for review.

Final Determination:

PERAC auditors will follow up in six months to ensure that the appropriate actions have been taken regarding all audit findings.

Fairhaven Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2003	2002	2001
Cash	\$978,175	\$626,465	\$340,947
Short Term Investments			
Fixed Income Securities (at book value)			
Equities			
Pooled Short Term Funds			
Pooled Domestic Equity Funds			
Pooled International Equity Funds			
Pooled Global Equity Funds			
Pooled Domestic Fixed Income Funds			
Pooled International Fixed Income Funds			
Pooled Global Fixed Income Funds			
Pooled Alternative Investment Funds			
Pooled Real Estate Funds			
Pooled Domestic Balanced Funds			
Pooled International Balanced Funds			
PRIT Cash Fund	727,684	679,331	650,733
PRIT Core Fund	23,483,547	17,793,673	19,506,462
Interest Due and Accrued			
Accounts Receivable	118,209	713,678	736,400
Accounts Payable	697,566		
TOTAL	<u>\$24,610,049</u>	<u>\$19,813,147</u>	<u>\$21,234,542</u>
FUND BALANCES			
Annuity Savings Fund	\$6,206,320	\$6,266,059	\$5,854,059
Annuity Reserve Fund	2,733,327	2,183,867	1,803,921
Pension Fund	1,084,186	1,398,725	1,566,760
Military Service Fund	1,192	1,180	1,163
Expense Fund	0	0	0
Pension Reserve Fund	14,585,025	9,963,317	12,008,639
TOTAL	<u>\$24,610,049</u>	<u>\$19,813,147</u>	<u>\$21,234,542</u>

Fairhaven Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2001)	\$5,598,958	\$1,619,333	\$1,571,619	\$1,790	\$0	\$13,407,733	\$22,199,433
Receipts	740,561	50,085	1,397,373	22	147,812	(1,402,089)	\$933,763
Interfund Transfers	(357,850)	355,504	0	(648)	0	2,995	\$0
Disbursements	(127,610)	(221,001)	(1,402,231)	0	(147,812)	0	(\$1,898,654)
Ending Balance (2001)	5,854,059	1,803,921	1,566,760	1,163	0	12,008,639	\$21,234,542
Receipts	1,031,852	62,400	1,454,424	16	143,157	(2,045,523)	\$646,327
Interfund Transfers	(554,653)	554,453				200	\$0
Disbursements	(65,199)	(236,907)	(1,622,459)	0	(143,157)	0	(\$2,067,721)
Ending Balance (2002)	<u>\$6,266,059</u>	<u>\$2,183,867</u>	<u>\$1,398,725</u>	<u>\$1,180</u>	<u>\$0</u>	<u>\$9,963,317</u>	\$19,813,147
Receipts	861,287	75,542	1,544,754	12	146,883	4,621,542	\$7,250,021
Interfund Transfers	(759,541)	739,424	19,951			166	(\$0)
Disbursements	(161,485)	(265,506)	(1,879,244)	0	(146,883)	0	(\$2,453,119)
Ending Balance (2003)	<u>\$6,206,320</u>	<u>\$2,733,327</u>	<u>\$1,084,186</u>	<u>\$1,192</u>	<u>\$0</u>	<u>\$14,585,025</u>	\$24,610,049

Fairhaven Retirement System

STATEMENT OF INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2003	2002	2001
Annuity Savings Fund:			
Members Deductions	\$715,568	\$692,147	\$623,286
Transfers from other Systems	67,448	232,459	
Member Make Up Payments and Redeposits	7,216	16,311	16,642
Member Payments from Rollovers	14,592	14,142	
Investment Income Credited to Members' Accounts	<u>56,463</u>	<u>76,794</u>	<u>100,633</u>
Sub Total	<u>861,287</u>	<u>1,031,852</u>	<u>740,561</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>75,542</u>	<u>62,400</u>	<u>50,085</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	16,764	16,170	15,832
Received from Commonwealth for COLA and Survivor Benefits	101,328	112,899	119,665
Pension Fund Appropriation	<u>1,426,661</u>	<u>1,325,355</u>	<u>1,261,876</u>
Sub Total	<u>1,544,754</u>	<u>1,454,424</u>	<u>1,397,373</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service			
Investment Income Credited Military Service Fund	<u>12</u>	<u>16</u>	<u>22</u>
Sub Total	<u>12</u>	<u>16</u>	<u>22</u>
Expense Fund:			
Expense Fund Appropriation			
Investment Income Credited to Expense Fund	<u>146,883</u>	<u>143,157</u>	<u>147,812</u>
Sub Total	<u>146,883</u>	<u>143,157</u>	<u>147,812</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	33,701	21,576	18,292
Pension Reserve Appropriation			
Interest Not Refunded	1,497	1,464	323
Excess Investment Income	<u>4,586,344</u>	<u>(2,068,563)</u>	<u>(1,420,704)</u>
Sub Total	<u>4,621,542</u>	<u>(2,045,523)</u>	<u>(1,402,089)</u>
TOTAL RECEIPTS	<u>\$7,250,021</u>	<u>\$646,327</u>	<u>\$933,763</u>

Fairhaven Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

FOR THE PERIOD ENDING DECEMBER 31,			
Annuity Savings Fund:	2003	2002	2001
Refunds to Members	\$51,482	\$23,648	\$14,526
Transfers to other Systems	<u>110,003</u>	<u>41,550</u>	<u>113,084</u>
Sub Total	<u>161,485</u>	<u>65,199</u>	<u>127,610</u>
Annuity Reserve Fund:			
Annuities Paid	265,506	223,793	187,332
Option B Refunds	<u>0</u>	<u>13,113</u>	<u>33,669</u>
Sub Total	<u>265,506</u>	<u>236,907</u>	<u>221,001</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	1,313,969	987,166	844,867
Survivorship Payments	54,817	26,248	25,449
Ordinary Disability Payments	42,732	40,018	23,050
Accidental Disability Payments	246,541	239,058	200,033
Accidental Death Payments	69,158	66,735	61,852
Section 101 Benefits	12,779	5,154	5,085
3 (8) (c) Reimbursements to Other Systems	34,977	29,394	29,802
State Reimbursable COLA's Paid	104,271	228,687	211,365
Chapter 389 Beneficiary Increase Paid			
Principal Adjustment Account			<u>728</u>
Sub Total	<u>1,879,244</u>	<u>1,622,459</u>	<u>1,402,231</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds			
Expense Fund:			
Board Member Stipend			
Salaries	45,904	43,786	56,821
Legal Expenses			
Medical Expenses			
Travel Expenses	90		
Administrative Expenses	14,183	20,198	9,842
Furniture and Equipment			
Management Fees	86,706	79,173	81,149
Custodial Fees			
Consultant Fees			
Sub Total	<u>146,883</u>	<u>143,157</u>	<u>147,812</u>
TOTAL DISBURSEMENTS	<u>\$2,453,119</u>	<u>\$2,067,721</u>	<u>\$1,898,654</u>

Fairhaven Retirement System

INVESTMENT INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2003	2002	2001
Investment Income Received From:			
Cash	\$4,404	\$7,994	\$11,898
Short Term Investments			
Fixed Income			
Equities			
Pooled or Mutual Funds	<u>665,501</u>	<u>630,865</u>	<u>664,185</u>
Commission Recapture			
TOTAL INVESTMENT INCOME	<u>669,905</u>	<u>638,859</u>	<u>676,082</u>
Plus:			
Increase in Amortization of Fixed Income Securities			
Realized Gains	624,291	28,069	140,617
Unrealized Gains	4,049,862	2,036,790	2,643,715
Interest Due and Accrued on Fixed Income Securities - Current Year			
Sub Total	<u>4,674,153</u>	<u>2,064,858</u>	<u>2,784,331</u>
Less:			
Decrease in Amortization of Fixed Income Securities			
Paid Accrued Interest on Fixed Income Securities			
Realized Losses	53,761	612,795	251,483
Unrealized Losses	425,052	3,877,118	4,331,083
Custodial Fees Paid			
Consultant Fees Paid			
Management Fees Paid			
Board Member Stipend			
Interest Due and Accrued on Fixed Income Securities - Prior Year			
Sub Total	<u>478,813</u>	<u>4,489,913</u>	<u>4,582,566</u>
NET INVESTMENT INCOME	<u>4,865,245</u>	<u>(1,786,196)</u>	<u>(1,122,152)</u>
Income Required:			
Annuity Savings Fund	56,463	76,794	100,633
Annuity Reserve Fund	75,542	62,400	50,085
Military Service Fund	12	16	22
Expense Fund	<u>146,883</u>	<u>143,157</u>	<u>147,812</u>
TOTAL INCOME REQUIRED	<u>278,901</u>	<u>282,367</u>	<u>298,552</u>
Net Investment Income	<u>4,865,245</u>	<u>(1,786,196)</u>	<u>(1,122,152)</u>
Less: Total Income Required	<u>278,901</u>	<u>282,367</u>	<u>298,552</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$4,586,344</u>	<u>(\$2,068,563)</u>	<u>(\$1,420,704)</u>

Fairhaven Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*	
Cash	\$340,947	1.66%	100	
Short Term		0.00%	100	
Fixed Income		0.00%	40 - 80	
Equities		0.00%	40	
Pooled Short Term Funds		0.00%		
Pooled Domestic Equity Funds		0.00%		
Pooled International Equity Funds		0.00%		
Pooled Global Equity Funds		0.00%		
Pooled Domestic Fixed Income Funds		0.00%		
Pooled International Fixed Income Funds		0.00%		
Pooled Global Fixed Income Funds		0.00%		
Pooled Alternative Investment Funds		0.00%		
Pooled Real Estate Funds		0.00%		
Pooled Domestic Balanced Funds		0.00%		
Pooled International Balanced Funds		0.00%		
PRIT Cash Fund	650,733	3.17%		
PRIT Core Fund	<u>19,506,462</u>	<u>95.16%</u>	100	
GRAND TOTALS	<u>\$20,498,142</u>	<u>100.00%</u>		

For the year ending December 31, **2003**, the rate of return for the investments of the **Fairhaven** Retirement System was 25.64%. For the five-year period ending December 31, **2003**, the rate of return for the investments of the **Fairhaven** Retirement System averaged 5.75%. For the nineteen-year period ending December 31, **2003**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Fairhaven** Retirement System was 11.24%.

Fairhaven Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Fairhaven** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

Fairhaven Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 1 - THE SYSTEM (continued)

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Fairhaven Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Fairhaven Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

May 18, 1989

Eligibility: Any individual employed in a part-time, temporary, seasonal or intermittent capacity, working less than twenty (20) hours per week, shall not be eligible to join the Fairhaven Retirement System until they become a permanent employee of the Town of Fairhaven, working more than twenty (20) hours per week.

Fairhaven Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (continued)

September 6, 1989

Creditable Service: Any individual employed in a part-time, temporary seasonal or intermittent capacity, working less than twenty (20) hours per week, shall not be eligible to join the Fairhaven Retirement System until they become a permanent employee of the Town of Fairhaven, working twenty (20) hours or more per week. If at this time they wish to pay back into the system for previous time worked, they may do so and their creditable service would be formulated by prorating the part-time work to that of a full-time position.

September 9, 1993

To extend the period of time over which members may buy-back prior service from five years to seven years.

Fairhaven Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Anne Carreiro

Appointed Members:	Bernice Alves	Term Expired:	1/1/04
	Jeffrey Osuch	Term Expires:	Undetermined

Elected Member:	Earl Faunce	Term Expires:	1/31/08
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Elected Member:	Andrew Martin	Term Expires:	1/6/07
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Appointed Members:	Louis Kruger	Term Expired:	3/21/03
	Christine Tetreault	Term Expires:	6/30/06

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$50,000,000
Elected Member:)	MACRS policy
Appointed Member:)	
Staff Employee:)	

Fairhaven Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Stone Consulting, Inc.** as of **January 1, 2002**.

The actuarial liability for active members was	\$17,016,408
The actuarial liability for inactive members was	118,231
The actuarial liability for retired members and beneficiaries was	14,348,182
The total actuarial liability was	31,482,821
System assets as of that date were	21,234,542
The unfunded actuarial liability was	<u>\$10,248,279</u>
 The ratio of system's assets to total actuarial liability was	 67.4%
As of that date the total covered employee payroll was	\$8,178,898
_____	_____

The normal cost for employees on that date was 7.87% of payroll

The normal cost for the employer was 5.42% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum

Rate of Salary Increase: 5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2002	\$ 21,234,542	\$ 31,482,821	\$ 10,248,279	67.4%	\$ 8,178,898	125.30%
1/1/2000	\$ 21,947,886	\$ 28,380,946	\$ 6,433,060	77.3%	\$ 7,265,617	88.54%
1/1/1999	\$ 17,765,000	\$ 25,032,000	\$ 7,267,000	71.0%	\$ 6,959,000	104.43%
1/1/1996	\$ 8,364,000	\$ 14,550,000	\$ 6,186,000	57.5%	\$ 4,656,000	132.86%
1/1/1993	\$ 7,251,000	\$ 12,464,000	\$ 5,213,000	58.2%	\$ 4,501,000	115.82%

Fairhaven Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Superannuation	3	7	3	4	6	5	5	6	12	17
Ordinary Disability	1	0	0	0	1	0	0	0	1	0
Accidental Disability	1	1	0	0	0	0	1	3	0	0
Total Retirements	5	8	3	4	7	5	6	9	13	17
Total Retirees, Beneficiaries and Survivors	142	149	146	146	149	148	151	155	164	179
Total Active Members	232	240	260	273	296	302	290	309	298	302
Pension Payments										
Superannuation	\$492,521	\$544,979	\$608,818	\$638,020	\$665,271	\$711,018	\$809,628	\$844,867	\$987,166	\$1,313,969
Survivor/Beneficiary Payments	27,528	23,529	23,529	22,762	22,142	24,026	23,712	25,449	26,248	54,817
Ordinary Disability	34,128	23,414	23,050	23,050	35,054	33,386	23,050	23,050	40,018	42,732
Accidental Disability	187,288	172,391	174,175	160,398	149,022	150,251	180,357	200,033	239,058	246,541
Other	227,163	247,801	241,613	253,574	272,673	281,057	307,190	308,105	329,970	221,184
Total Payments for Year	\$968,628	\$1,012,114	\$1,071,185	\$1,097,803	\$1,144,161	\$1,199,739	\$1,343,936	\$1,401,504	\$1,622,459	\$1,879,244

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